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prepared to manage the complexities of verifying insurance qualifiers for Obamacare, collecting the \$95 from those who owe a penalty, and easing the way for the ...

Dave McClure • Dec. 17, 2014



It would be nice to believe that with years to prepare, the Internal Revenue Service is prepared to manage the complexities of verifying insurance qualifiers for Obamacare, collecting the \$95 from those who owe a penalty, and easing the way for the nation's

1.2 million tax preparers to advise their clients on how to fill out Form 8965 and line

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quality under the law and who pays the penalty.

With just under 25 million people enrolling in the federal and state health exchanges (including Medicare and Medicaid recipients), plus the estimated 150 million who have employer-paid health care plans, there are still some 62 million people who would have to pay a penalty but likely will not. For those who do the math the IRS apparently did not, that's a potential loss of nearly \$6 billion in revenue – potentially out-pacing the EITC fraud everyone is so enraged over.

But wait, it gets worse. Some 3.6 million more people were laid off during the year and lost their health benefits – becoming liable for some or all of the penalty for the months they were not covered. Call that another billion and a half dollars.

And even worse. Those who successfully did enroll in Obamacare and received a premium credit must repay the overage if the IRS finds that the customer's 2014 income increased over the 2012 income used as a benchmark. That's the theory, but with the start of tax season mere weeks away there is no mechanism to make that comparison. The final rules say there will be income comparisons, but who will do this?

And worse yet. Those who do not meet the "essential minimum coverage" threshold for individuals can still avoid paying the penalty if they meet one of the dozen or so exemptions, which seem to be granted to any person who breathes air, or has a life crisis like missing a utility bill payment, or having a family member becomes ill or even a family pet with a flea problem. It really doesn't matter, because there is no place to report either the coverage status or the exemption if you are not already enrolled in a qualified program. Those are supposed to be covered under rules that the IRS has not yet drafted.

You have to wonder how the IRS, already smarting from \$6 billion in EITC fraud,

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